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**Technology, Energy &  
Communications Committee**

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**HB 2403**

**Brief Description:** Promoting distributive generation.

**Sponsors:** Representatives Morris, B. Sullivan and Miloscia.

**Brief Summary of Bill**

- Increases the maximum generating capacity on a net metering system to 500 kilowatts and establishes the maximum generating capacity for distributive generation at 500 kilowatts.
- Specifies 1% of a utility's peak demand may be made up of net metering system power of which not less than .5% of that amount generated by solar, wind and hydro power.
- Changes the date which unused credits generated by net metering systems are granted to the electric utility to April 30th.
- Allows wheeling of electricity for any generation facility having 500 kilowatts or less.

**Hearing Date:** 1/13/06

**Staff:** Scott Richards (786-7156).

**Background:**

Net Metering

Net metering allows electricity customers to offset (over a predetermined time-period) their consumption of purchased electricity with electricity generated by their own small scale renewable system. Under net metering, the customer's renewable energy system is connected to a utility's electrical distribution system and electricity is fed back to the electric utility over an applicable billing period.

As of September 2005, 35 states allow net metering statewide, including Washington State. State law varies on the amount of electricity that is fed into a utility's electrical distribution system through net metering. Amounts can range from 10 kW to high as 1MW in California and 2 MW in New Jersey. Of the states that allow statewide net metering 21 states have net metering limits in the 25 kW to 100 kW range. Ohio does not place size limits on eligible systems (except for microturbines – 100 kW), but specifies that overall enrollment shall not represent more than 1% of a utility's peak demand.

State laws also varies in the amount of electricity that is fed back into an utility's system. Of the 35 states with statewide net metering, 18 of those states place no cumulative limit on the amount of electric that is fed back into a utility's distribution system. Most of the remaining 17 states place limits in the .05% to .5% range. Nevada, Ohio and Vermont allow for 1% of an utility's peak capacity to come from net metering systems.

#### Excess Generation Credits

States vary in their approach to excess generation credits. According to Database of State Incentives for Renewable Energy, two states have no expiration date for excess generation credit. Twelve states grant credits back to the utility at the end of 12-month billing cycle. Two states grant credits back to the utility monthly. Some states purchase credits at an avoided-cost rate at either the end of a 12-month billing cycle or monthly.

#### Distributive Generation

According to the United States Environmental Protection Agency, distributive generation (DG) is typically small, modular, decentralized, grid-connected or off-grid energy systems located in or near the place where energy is used. DG connects directly to the low voltage distribution electricity grid rather than the high voltage transmission grid. The maximum size of DG can vary from a few kilowatts to 5 megawatts. In contrast, central generation units such as coal, natural gas and nuclear power plants range between 500 to 3,000 megawatt and may be located at a distance from where the energy is consumed. DG may use either renewable or non-renewable sources of fuel to generation electricity.

#### Wheeling

Wheeling is access to transmit one's power through the transmission or distribution facilities of another for sale to a third party at a given price. Wheeling can be used to indicate large, bulk transactions in the wholesale market and also the retail wheeling of power from producers directly to retail customers.

#### Current Law

Under current law, a net metering system is defined as an electrical production facility that: (1) is a fuel cell or uses solar, wind, or hydro power; (2) has a generating capacity of 25 kilowatts or less; (3) is located on the customer-generator's premises; (4) operates in parallel with the electrical utility's distribution and transmission system; and (5) is intended primarily to offset part or all of the customer's electricity requirements.

Current law requires electric utilities to offer net metering to eligible customers-generators on a first-come, first-serve basis until the cumulative generating capacity of net metering systems equals 0.1% of the utility's peak demand during 1996, of which not less than 0.05 percent shall be attributable to net metering systems that use as its fuel either solar, wind, or hydro power.

If electricity generated by the customer-generator exceeds the electricity supplied by the electric utility, the customer-generator shall be (a) billed for the appropriate customer charges for that billing period; and (b) credited for the excess kilowatt-hours generated during the billing period, with this kilowatt-hour credit appearing on the bill for the following billing period.

At the beginning of each calendar year, any remaining unused credits in excess of kilowatt-hours generated by the customer-generator, shall be granted to the electric utility, without compensation to the customer-generator.

## **Summary of Bill:**

### Definition

Chapter 80.60.010 is amended so that the definition of distributed generation means generation below five hundred kilowatts that is connected to the distribution transmission of an electric utility.

Current net metering law is amended so that the definition of net metering system has a generating capacity of not more than five hundred kilowatts.

### Cumulative Generating Capacity

An electricity utility shall offer to make net metering available to eligible customer-generators on a first-come, first-serve basis until the cumulative generating capacity of net metering systems equals one percent of the utility's peak demand during 1996, of which less than 0.5 percent shall be attributable to net metering systems that use as its fuel either solar, wind, or hydro power.

Allowable net metering systems interconnected include:

- By January 2, 2008, the generating capacity is less than one hundred kilowatts;
- By January 2, 2010, the generating capacity is less than three hundred kilowatts; or
- By January 1, 2010, the generating capacity is less than three hundred kilowatts, unless the net metering system involves three phase power lines, in which case generating capacity shall be allowed up to five hundred kilowatts.

### Excess Generating Credits

On April 30th of each calendar year, any unused kilowatt-hour credits accumulated during the previous year shall be granted to the electric utility, without compensation to the customer-generator.

### Wheeling

A utility may solicit power purchase agreements to sell the qualifying facilities output to any other Washington utility. The local utility has the option to match the proposed price or must wheel the qualified facility's output at a flat rate price not to exceed ten percent of the value of the power actually delivered under the contracted price.

A qualified facility is any generation facility having five hundred kilowatt capacity or less.

Utilities may be exempted from this requirement if one percent of its power originates from distributive generation. Exempt utilities must report their exemption to the legislature. If one or more utilities are found to be exempt, the legislature may review and modify the generation threshold.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.